USGS
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Metal Industry Indicators

Indicators of Domestic Primary Metals, Steel, Aluminum, and Copper Activity

June/July 2001

Revised Leading and Coincident Indexes

The USGS has revised the composite leading and coincident indexes shown in the *Metal Industry Indicators*. These revisions reflect classification and sample changes for certain indicators produced by the U.S. Census Bureau that are used or were used in the composite indexes. Data for these indicators, which were collected under the U.S. Standard Industrial Classification (SIC), are now collected according to the North American Industry Classification System (NAICS), which tabulates data for industries in Canada, Mexico, and the United States. In general, indexes starting in 1997 begin to reflect the NAICS classification, while indexes for earlier years follow the SIC. The switch from the SIC to NAICS resulted in major changes to the leading indexes for the following industries:

Steel and aluminum mill products. The industrial production indicator for automotive products in each industry's leading index has been dropped and replaced with "retail unit sales of U.S. passenger cars and light trucks."

Copper. The indicator measuring the ratio of shipments to inventories, electronic and other electrical equipment (SIC 36) has been dropped from the leading index.

Primary aluminum. The indicator measuring the ratio of shipments to inventories, motor vehicles and parts has been dropped from the leading index.

Because of changes to the leading indexes for primary metals, copper, and steel, the average length of time the leading indexes signal major changes in current activity depicted by their coincident indexes has dropped from 9 to 8 months for primary metals and 8 to 7 months for copper and steel.

The switch from SIC to NAICS also includes additions and deletions of manufacturing in the value of shipments and new orders for primary and nonferrous metal products and the value of inventories for U.S. nonferrous metal products. While the total net effect of most of these changes is small, there is one important change. Under the NAICS, other communication and energy wire manufacturing, which was formerly part of metal processing in the SIC, is now classified as part of electrical equipment, appliance, and component manufacturing under NAICS.

To maintain as much consistency as possible, the USGS is estimating the monthly values of shipments, new orders, and inventories for other communication and energy wire and adding them to the NAICS metals shipments, new orders, and inventories used in this report from 1997 onward. Since the historic trends of the composite indexes have not been adversely affected by the other, smaller changes, the USGS is not making specific adjustments for them for the periods before and after 1997.

Latest Leading Indexes Are Mostly Higher

The **primary metals leading index** moved up 1.6% in June, climbing to 125.9 from 123.9 in May. The index's 6-month smoothed growth rate, a compound annual rate that measures the near-term trend, rose to 2.1% in June, its first positive reading since February 2000. Generally, a growth rate above +1.0% signals an upward near-term trend for future growth in metals activity, while a growth rate below -1.0% signals a downward trend.

Because only four of the index's eight components were available in time to calculate the June leading index, it should be considered preliminary. Two of those components, the length of the average workweek in primary metals establishments and the Purchasing Managers' Index, registered strong increases and pushed the leading index higher. The growth rate of the leading index suggests that growth in overall U.S. primary metals activity may begin to turn up by the end of the year.

The **steel leading index** gained 0.6% in May, the latest month for which it is available, to 109.3 from 108.6 in April, marking its fifth consecutive monthly increase. The index's 6-month smoothed growth rate advanced to 2.7% in May, the highest since January 2000. The leading index points to the possibility of a recovery in the domestic steel industry beginning in the second half of 2001.

Posting its first decrease in 7 months, the **aluminum mill products leading index** fell 1.5% in May, down to 162.2 from 164.7 in April. The index's 6-month smoothed growth rate slowed to 4.4% from 8.0% in April. Despite the May decline, the growth rate of the aluminum mill products leading index continues to point to modest growth in domestic industry activity.

In May, the **primary aluminum leading index** edged up 0.1%, to 84.4, following a much stronger 1.0% increase in April. Nevertheless, the index's 6-month smoothed growth rate remains deep in negative territory at -4.5%. The growth rate of the leading index and production cutbacks in the Pacific Northwest suggest little likelihood of growth in U.S. primary aluminum activity in the near future. (Tables and charts for the primary aluminum indexes are in a separte file.)

The **copper leading index** surged 2.1% in May, its largest 1-month increase since January 1992, moving up to 114.1 from 111.8 in April. Its 6-month smoothed growth rate increased to -0.6%, the highest since October 1999. Although the May index was quite strong, further increases will be needed to provide a signal of increasing growth in future U.S. copper activity.

The **metals price leading index** climbed 1.8% in May, the latest month for which it is available, up to 103.0 from 101.2 in April. That marks the largest 1-month increase in this index since January 1999. The index's 6-month smoothed growth rate rose to -0.3%, the highest growth rate in 16 months. Three of the index's four components were available for the May index calculation, with the yield spread responsible for most of the strength in the leading index.

The 6-month smoothed growth rate of the inflation-adjusted value of U.S. nonferrous metal products inventories slipped to -1.5% in May from 1.1% in April. These inventories tend to move inversely with metal price growth.

The growth rate of the metals price leading index has turned up in recent months, indicating the possibility of increasing growth in overall metal prices in the coming months. The growth rate of U.S. nonferrous metal products inventories, which has dipped over the past two months, also suggests the possibility of some increases in metal prices.

Table 1.
Leading Index of Metal Prices and Growth Rates of the Nonferrous Metals Price Index, Inventories of Nonferrous Metal Products, and Selected Metal Prices

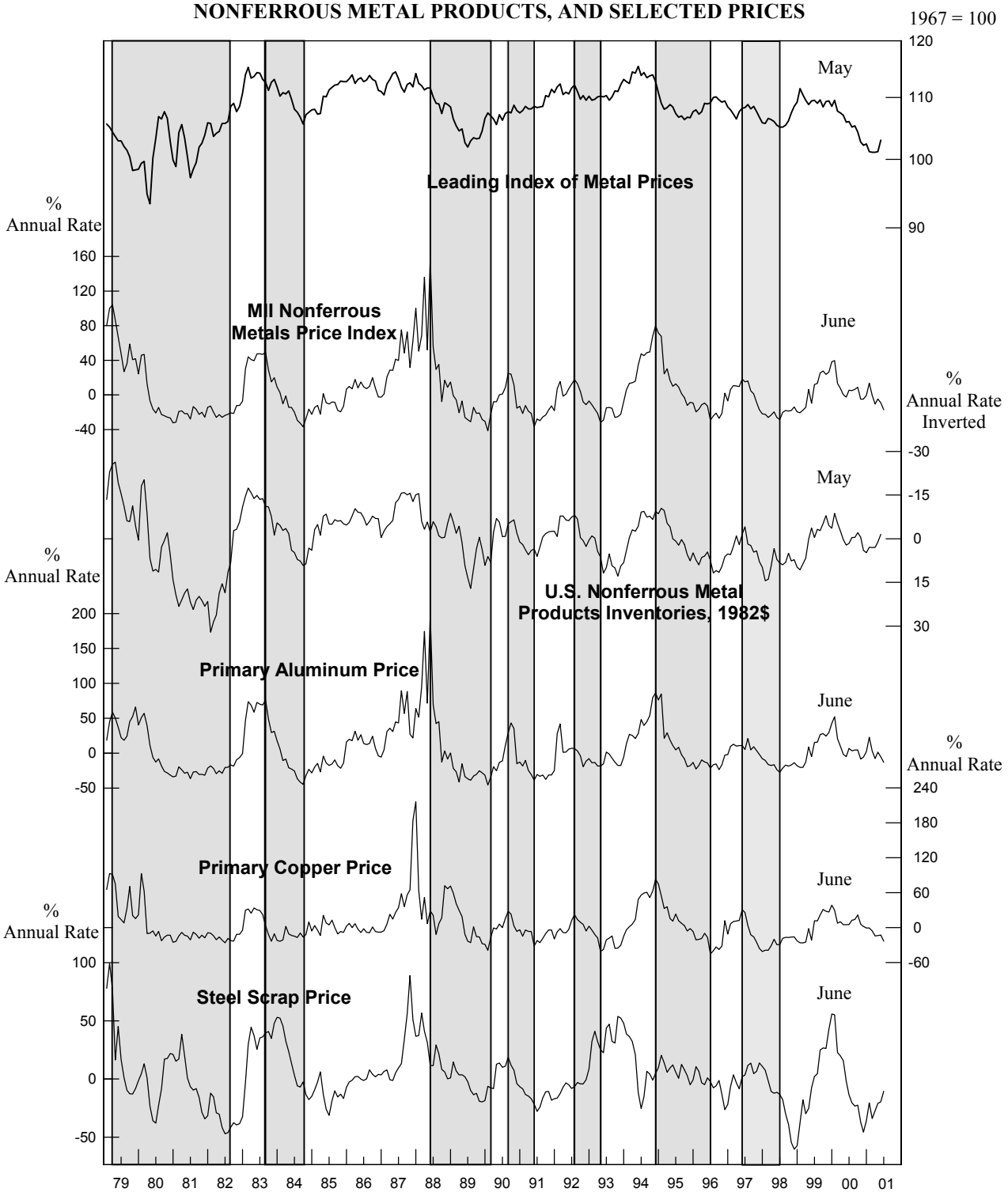
		Six-Month Smoothed Growth Rates				
	Leading Index of Metal Prices (1967=100)	MII Nonferrous Metals Price Index	U.S. Nonferrous Metal Products Inventories (1982$)	Primary Aluminum	Primary Copper	Steel Scrap
2000						
May	105.9	-2.4	2.2	-4.9	4.9	-1.9
June	106.0	5.4	1.6	6.9	5.2	-13.7
July	105.1	5.1	-0.4	3.3	12.4	-20.5
August	105.3	6.6	-0.4	4.4	13.9	-23.2
September	104.3	8.9	-2.1	4.5	21.7	-22.4
October	102.7	-4.9	-0.6	-8.4	5.7	-37.0
November	102.2	-4.7	4.0	-5.7	1.8	-45.6
December	102.4	-0.5	4.8	2.1	-0.7	-35.9
2001						
January	101.2	13.7	2.9	22.7	-0.8	-20.4
February	101.1	-0.5	3.0	3.0	-5.8	-34.0
March	101.1	-10.5	3.0	-7.8	-14.4	-27.2
April	101.2	-4.5	1.1	1.5	-13.8	-21.0
May	103.0	-9.0	-1.5	-5.3	-12.8	-19.5
June	NA	-17.0	NA	-13.1	-23.3	-10.6

NA: Not available

Note: The components of the Leading Index of Metal Prices are the spread between the U.S. 10-year Treasury Note and the federal funds rate, and the 6-month smoothed growth rates of the deflated value of new orders for nonferrous metal products, the Economic Cycle Research Institute's 16-Country Long Leading Index, and the reciprocal of the trade-weighted average exchange value of the U.S. dollar against other major currencies. The Metal Industry Indicators (MII) Nonferrous Metals Price Index measures changes in end-of-the-month prices for primary aluminum, copper, lead, and zinc traded on the London Metal Exchange (LME). The steel scrap price used is the price of No. 1 heavy melting. Inventories consist of the deflated value of finished goods, work in progress, and raw materials for U.S.-produced nonferrous metal products (NAICS 3313, 3314, & 335929). Six-month smoothed growth rates are based on the ratio of the current month's index or price to its average over the preceding 12 months, expressed at a compound annual rate.

Sources: U.S. Geological Survey (USGS); American Metal Market (AMM); the London Metal Exchange (LME); U.S. Census Bureau; the Economic Cycle Research Institute, Inc. (ECRI); and Federal Reserve Board.

CHART 1.
LEADING INDEX OF METAL PRICES AND GROWTH RATES OF NONFERROUS METALS PRICE INDEX, INVENTORIES OF NONFERROUS METAL PRODUCTS, AND SELECTED PRICES



Shaded areas are downturns in the nonferrous metals price index growth rate. Asterisks (*) are peaks and troughs in the economic activity reflected by the leading index of metal prices. Scale for nonferrous metal products inventories is inverted.

U.S. Geological Survey, July 2001

Table 2.
The Primary Metals Industry Indexes and Growth Rates

	Leading Index		Coincident Index	
	(1977 = 100)	Growth Rate	(1977 = 100)	Growth Rate
2000				
July	126.3	-5.2	117.1	0.9
August	126.0	-5.2	116.2	-0.9
September	126.6	-3.7	115.9	-1.5
October	123.8	-7.3	114.9	-3.2
November	123.7	-6.7	114.1	-4.4
December	122.9	-7.0	112.2	-7.1
2001				
January	123.3	-5.5	111.7	-7.2
February	122.7	-5.3	110.5	-8.3
March	123.3	-3.5	109.7	-8.6
April	124.1	-1.7	109.9	-7.3
May	123.9	-1.4	108.9	-7.9
June	125.9	2.1	NA	NA

NA: *Not available*

Note: Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

Table 3.
The Contribution of Each Primary Metals Index Component to the Percent Change in the Index from the Previous Month

Leading Index	**May**	**June**
1. Average weekly hours, primary metals (SIC 33)	-1.1	1.1
2. S&P stock price index, machinery, diversified	0.6	-0.1
3. Ratio of price to unit labor cost (SIC 33)	0.2	NA
4. JOC-ECRI metals price index growth rate	0.0	-0.2
5. New orders, primary metal products, (NAICS 331 & 335929) 1982$	0.3	NA
6. Index of new private housing units authorized by permit	0.1	NA
7. Growth rate of U.S. M2 money supply, 1996$	-0.2	NA
8. Purchasing Managers' Index	-0.2	0.8
Trend adjustment	0.0	0.0
Percent change (except for rounding differences)	-0.3	1.6

Coincident Index	**April**	**May**
1. Industrial production index, primary metals (SIC 33)	0.3	-0.4
2. Total employee hours, primary metals (SIC 33)	0.4	-1.3
3. Value of shipments, primary metals products, (NAICS 331 & 335929) 1982$	-0.6	0.7
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	0.2	-0.9

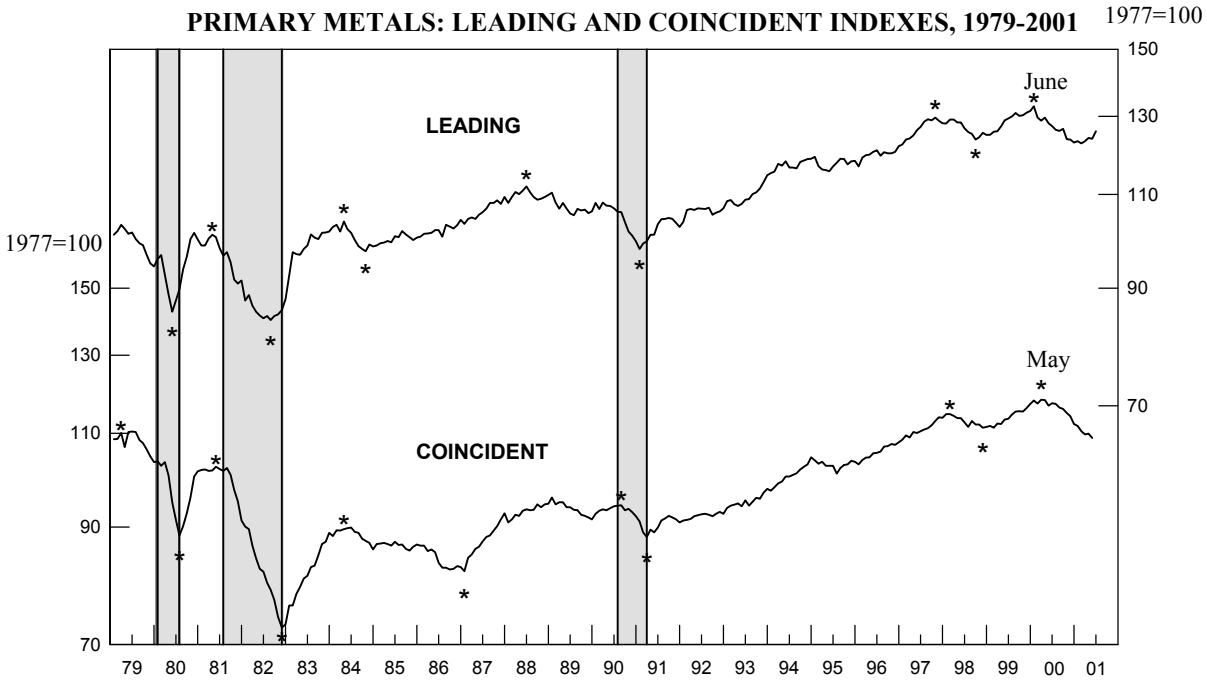
Sources: Leading: 1, Bureau of Labor Statistics; 2, Standard & Poor's; 3, U.S. Geological Survey; 4, Journal of Commerce and Economic Cycle Research Institute, Inc.; 5, U.S. Census Bureau and U.S. Geological Survey; 6, U.S. Census Bureau and U.S. Geological Survey; 7, Federal Reserve Board, Conference Board, and U.S. Geological Survey; and 8, National Association of Purchasing Management. Coincident: 1, Federal Reserve Board; 2, Bureau of Labor Statistics and U.S. Geological Survey; 3, U.S. Census Bureau and U.S. Geological Survey. All series are seasonally adjusted, except 2, 3, and 4 of the leading index.

NA: *Not available*

Note: A component's contribution, shown in Tables 3, 5, 7, and 9, measures its effect, in percentage points, on the percent change in the index. Each month, the sum of the contributions plus the trend adjustment equals (except for rounding differences) the index's percent change from the previous month.

CHART 2.

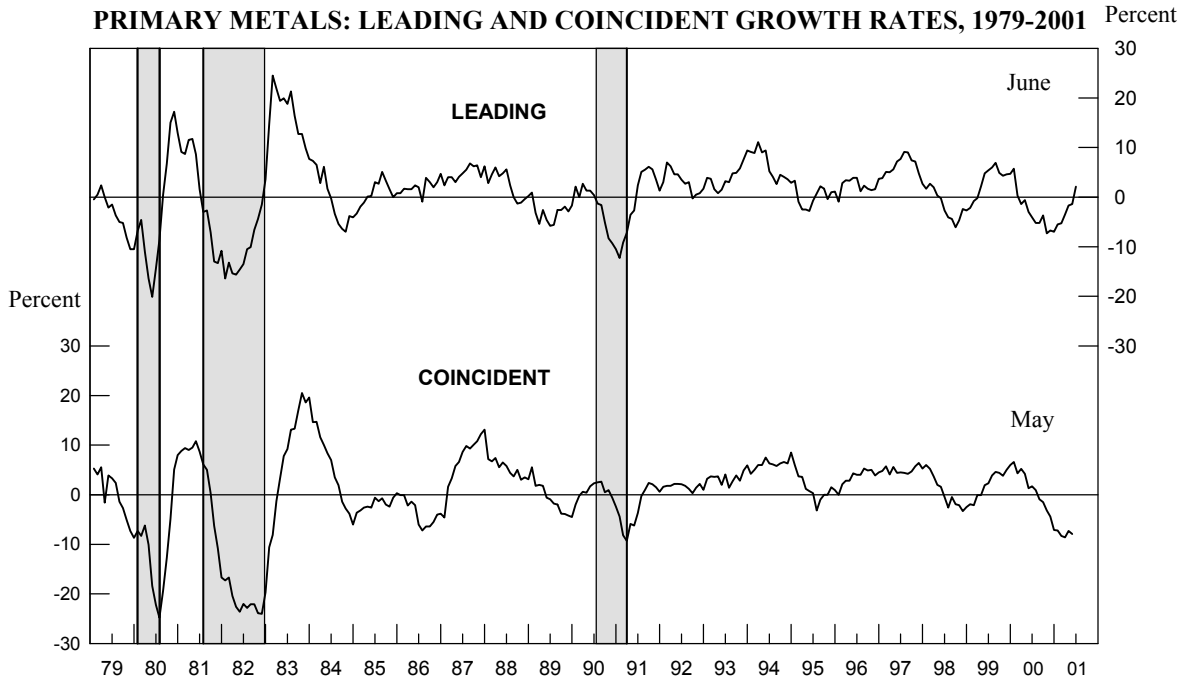
PRIMARY METALS: LEADING AND COINCIDENT INDEXES, 1979-2001



Shaded areas are business cycle recessions. Asterisks (*) signify peaks (the end of an expansion) and troughs (the end of a downturn) in the economic activity reflected by the indexes.

CHART 3.

PRIMARY METALS: LEADING AND COINCIDENT GROWTH RATES, 1979-2001



Shaded areas are business cycle recessions.

The growth rates are expressed as compound annual rates based on the ratio of the current month's index to its average level during the preceding 12 months.

U.S. Geological Survey, July 2001

Table 4.
The Steel Industry Indexes and Growth Rates

	Leading Index		Coincident Index	
	(1977 = 100)	Growth Rate	(1977 = 100)	Growth Rate
2000				
June	109.5	-5.5	104.6	1.9
July	108.2	-7.2	103.8	-0.2
August	108.7	-5.8	103.4	-1.2
September	108.6	-5.3	103.1	-1.9
October	106.3	-8.7	102.0	-3.9
November	106.2	-7.9	101.4	-4.6
December	105.1	-8.7	99.7	-7.2
2001				
January	106.5	-5.4	99.3	-7.3
February	106.7	-3.8	98.9	-7.2
March	107.8	-1.1	98.8	-6.7
April	108.6	1.1	99.4	-4.7
May	109.3	2.7	99.1	-4.4

Note: Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

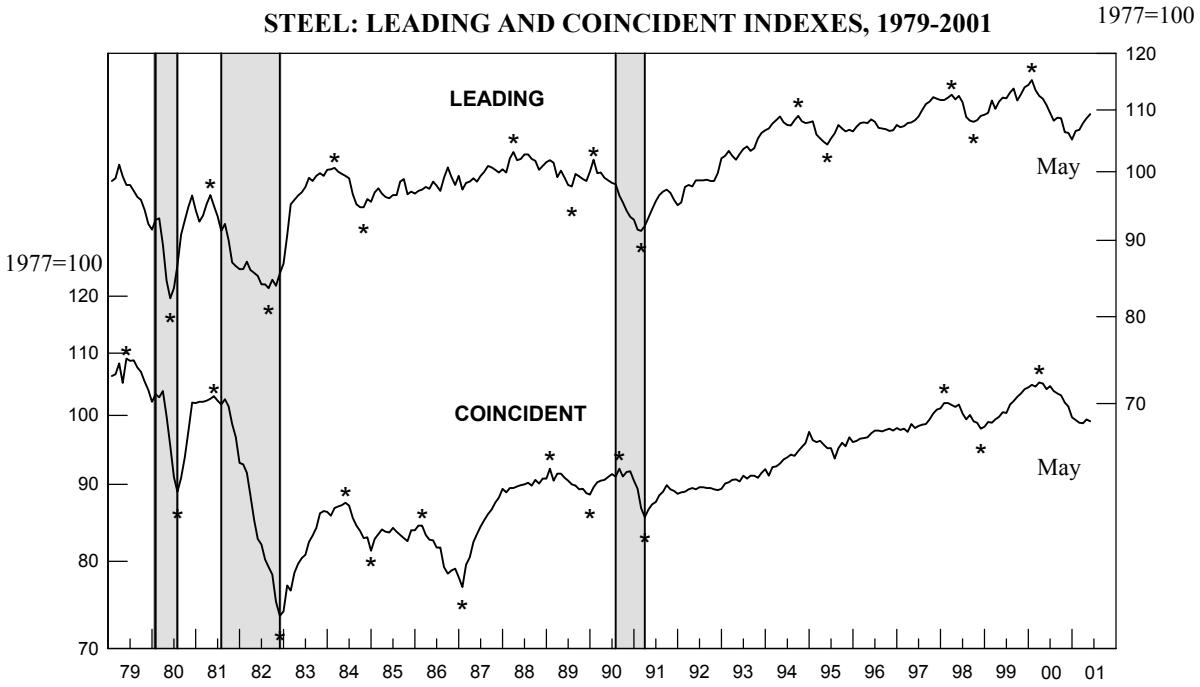
Table 5.
The Contribution of Each Steel Index Component to the Percent Change in the Index from the Previous Month

Leading Index	**April**	**May**
1. Average weekly hours, blast furnaces and basic steel products (SIC 331)	0.7	-0.6
2. New orders, iron and steel mills (NAICS 3311 & 3312), 1982$	-0.1	0.4
3. Shipments of household appliances, 1982$	0.0	0.3
4. S&P stock price index, steel companies	0.2	0.6
5. Retail sales of U.S. passenger cars and light trucks (units)	-0.2	0.0
6. Growth rate of the price of steel scrap (#1 heavy melting, $/ton)	0.1	0.0
7. Index of new private housing units authorized by permit	-0.1	0.1
8. Growth rate of U.S. M2 money supply, 1996$	0.1	-0.2
9. Purchasing Managers' Index	0.0	-0.2
Trend adjustment	0.0	0.0
Percent change (except for rounding differences)	0.7	0.4
Coincident Index		
1. Industrial production index, basic steel and mill products (SIC 331)	0.6	-0.4
2. Value of shipments, iron and steel mills (NAICS 3311 & 3312), 1982$	-0.5	0.9
3. Total employee hours, blast furnaces and basic steel products (SIC 331)	0.5	-0.9
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	0.7	-0.3

Sources: Leading: 1, Bureau of Labor Statistics; 2, U.S. Census Bureau and U.S. Geological Survey; 3, U.S. Census Bureau and U.S. Geological Survey; 4, Standard & Poor's; 5, U.S. Bureau of Economic Analysis and American Automobile Manufacturers Association; 6, Journal of Commerce and U.S. Geological Survey; 7, U.S. Census Bureau and U.S. Geological Survey; 8, Federal Reserve Board, Conference Board, and U.S. Geological Survey; and 9, National Association of Purchasing Management. Coincident: 1, Federal Reserve Board; 2, U.S. Census Bureau and U.S. Geological Survey; 3, Bureau of Labor Statistics and U.S. Geological Survey. All series are seasonally adjusted, except 4 and 6 of the leading index.

CHART 4.

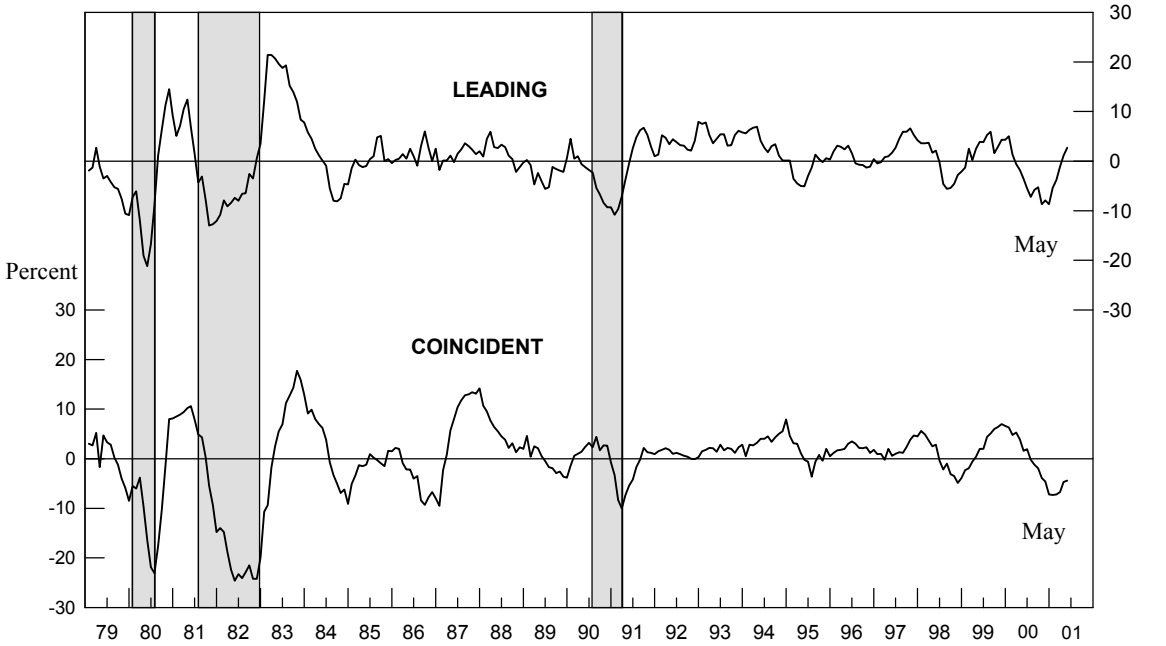
STEEL: LEADING AND COINCIDENT INDEXES, 1979-2001



Shaded areas are business cycle recessions. Asterisks (*) signify peaks (the end of an expansion) and troughs (the end of a downturn) in the economic activity reflected by the indexes.

CHART 5.

STEEL: LEADING AND COINCIDENT GROWTH RATES, 1979-2001



Shaded areas are business cycle recessions.

The growth rates are expressed as compound annual rates based on the ratio of the current month's index to its average level during the preceding 12 months.

Table 6.
The Aluminum Mill Products Industry Indexes and Growth Rates

	Leading Index		Coincident Index	
	(1977 = 100)	Growth Rate	(1977 = 100)	Growth Rate
2000				
June	157.0	-2.0	144.5	1.2
July	154.4	-4.7	145.4	1.9
August	157.6	-0.4	144.3	0.2
September	158.8	1.3	142.5	-2.1
October	155.3	-2.8	142.0	-2.8
November	156.2	-1.6	139.8	-5.4
December	156.8	-1.0	144.0	0.1
2001				
January	160.4	3.5	146.0	2.7
February	162.1	5.5	142.9	-1.3
March	162.5	5.7	142.0	-2.4
April	164.7	8.0	148.7	6.6
May	162.2	4.4	145.1	1.5

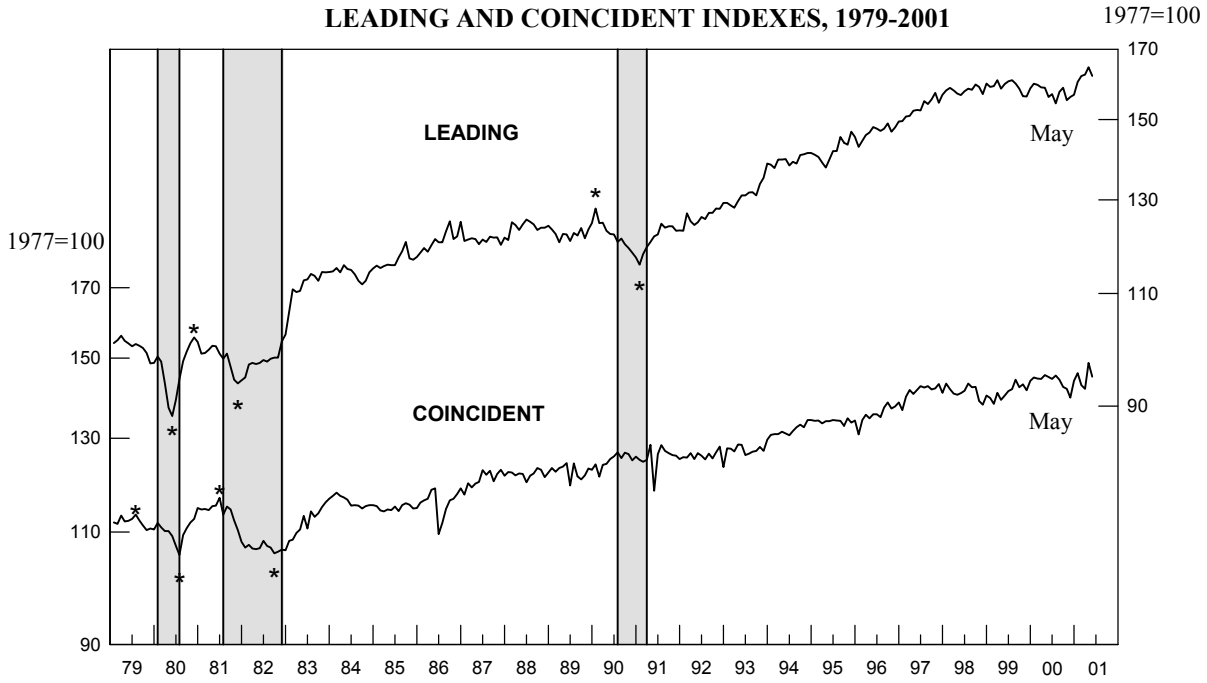
Note: Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

Table 7.
The Contribution of Each Aluminum Mill Products Index Component to the Percent Change in the Index from the Previous Month

Leading Index	**April**	**May**
1. Average weekly hours, aluminum sheet, plate, and foil (SIC 3353)	2.4	-1.2
2. Index of new private housing units authorized by permit	-0.1	0.1
3. Retail sales of U.S. passenger cars and light trucks (units)	-0.3	0.0
4. Construction contracts, commercial and industrial (square feet)	-0.3	-0.7
5. Net new orders for aluminum mill products (pounds)	-0.7	0.5
6. Growth rate of U.S. M2 money supply, 1996$	0.1	-0.2
7. Purchasing Managers' Index	0.0	-0.2
Trend adjustment	0.2	0.2
Percent change (except for rounding differences)	1.3	-1.5
Coincident Index		
1. Industrial production index, aluminum sheet, plate, and foil (SIC 3353)	1.8	-1.2
2. Total employee hours, aluminum sheet, plate, and foil (SIC 3353)	2.7	-1.5
Trend adjustment	0.2	0.2
Percent change (except for rounding differences)	4.7	-2.5

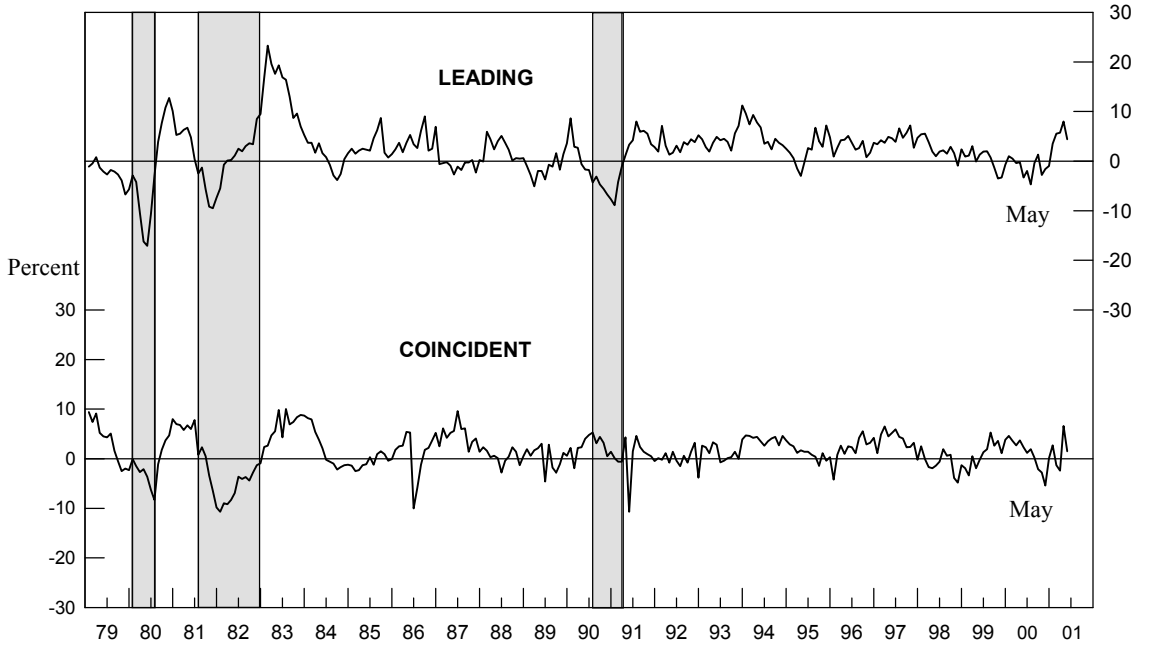
Sources: Leading: 1, Bureau of Labor Statistics; 2, U.S. Census Bureau and U.S. Geological Survey; 3, U.S. Bureau of Economic Analysis and American Automobile Manufacturers Association; 4, F.W. Dodge, Division of McGraw-Hill Information Systems Company; 5, The Aluminum Association, Inc. and U.S. Geological Survey; 6, Federal Reserve Board, Conference Board, and U.S. Geological Survey; 7, National Association of Purchasing Management. Coincident: 1, Federal Reserve Board; 2, Bureau of Labor Statistics and U.S. Geological Survey. All series are seasonally adjusted.

CHART 6.
ALUMINUM MILL PRODUCTS:
LEADING AND COINCIDENT INDEXES, 1979-2001



Shaded areas are business cycle recessions. Asterisks (*) signify peaks (the end of an expansion) and troughs (the end of a downturn) in the economic activity reflected by the indexes.

CHART 7.
ALUMINUM MILL PRODUCTS:
LEADING AND COINCIDENT GROWTH RATES, 1979-2001



Shaded areas are business cycle recessions.

The growth rates are expressed as compound annual rates based on the ratio of the current month's index to its average level during the preceding 12 months.

U.S. Geological Survey, July 2001

Table 8.
The Copper Industry Indexes and Growth Rates

	Leading Index		Coincident Index	
	(1977 = 100)	Growth Rate	(1977 = 100)	Growth Rate
2000				
June	115.5	-7.4	123.8	0.1
July	115.6	-6.3	121.3	-3.4
August	115.8	-5.1	122.8	-0.7
September	115.2	-5.3	123.1	-0.1
October	113.2	-7.4	122.2	-1.2
November	113.6	-5.8	122.8	-0.2
December	114.0	-4.3	118.7	-6.2
2001				
January	115.6	-0.9	119.7	-4.2
February	114.2	-2.4	125.1	4.3
March	112.4	-4.8	123.6	1.8
April	111.8	-5.1	121.6	-1.2
May	114.1	-0.6	122.2	-0.2

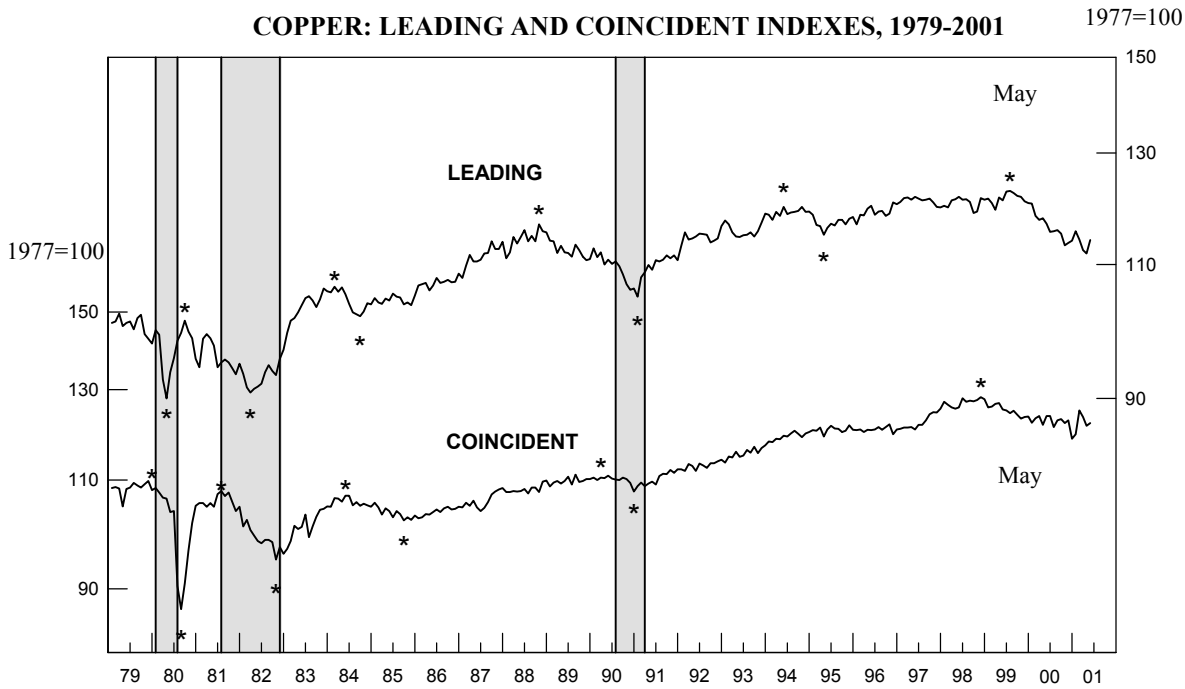
Note: Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

Table 9.
The Contribution of Each Copper Index Component to the Percent Change in the Index from the Previous Month

Leading Index	**April**	**May**
1. Average weekly overtime hours, rolling, drawing, and extruding of copper (SIC 3351)	-1.1	1.3
2. New orders, nonferrous metal products, (NAICS 3313, 3314, & 335929) 1982$	-0.1	0.2
3. S&P stock price index, building materials companies	0.2	-0.2
4. LME spot price of primary copper	0.0	0.0
5. Index of new private housing units authorized by permit	-0.2	0.1
6. Spread between the U.S. 10-year Treasury Note and the federal funds rate	0.6	0.7
Trend adjustment	0.0	0.0
Percent change (except for rounding differences)	-0.6	2.1
Coincident Index		
1. Industrial production index, primary smelting and refining of copper (SIC 3331)	0.1	0.0
2. Total employee hours, rolling, drawing, and extruding of copper (SIC 3351)	-1.1	-0.4
3. Copper refiners' shipments (short tons)	-0.7	0.8
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	-1.6	0.5

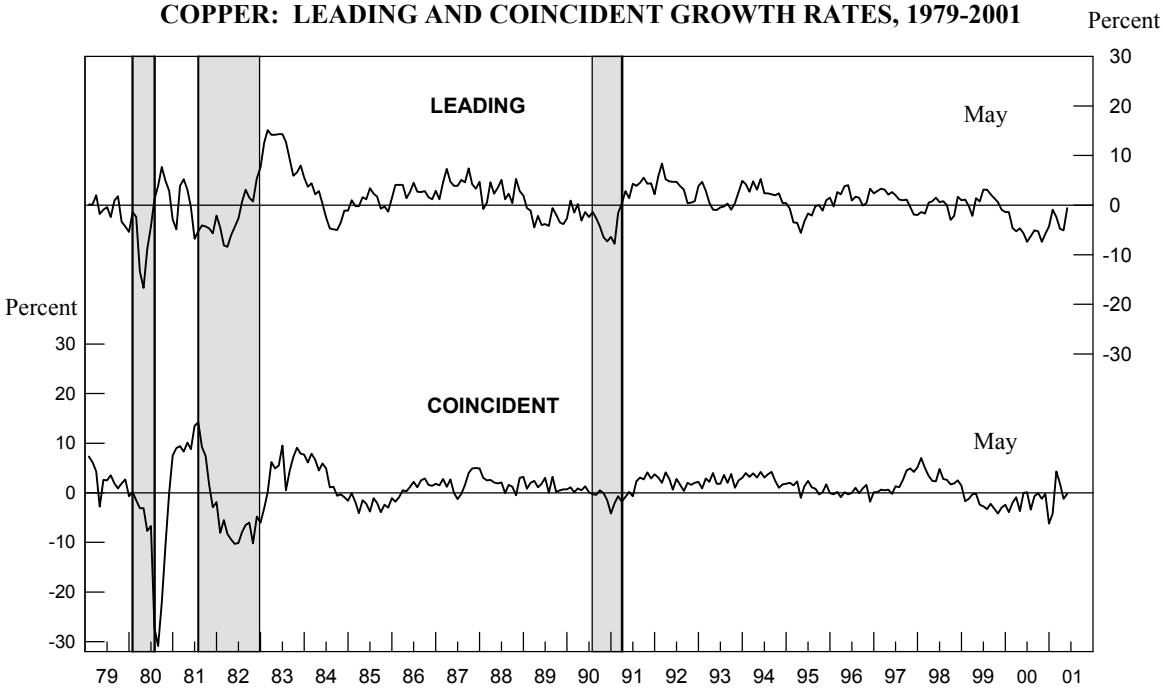
Sources: Leading: 1, Bureau of Labor Statistics; 2, U.S. Census Bureau and U.S. Geological Survey; 3, Standard & Poor's; 4, London Metal Exchange; 5, U.S. Census Bureau and U.S. Geological Survey; 6, Federal Reserve Board and U.S. Geological Survey. Coincident: 1, Federal Reserve Board; 2, Bureau of Labor Statistics; 3, American Bureau of Metal Statistics, Inc. and U.S. Geological Survey. All series are seasonally adjusted, except 3, 5, and 7 of the leading index.

CHART 8.
COPPER: LEADING AND COINCIDENT INDEXES, 1979-2001



Shaded areas are business cycle recessions. Asterisks (*) signify peaks (the end of an expansion) and troughs (the end of a downturn) in the economic activity reflected by the indexes.

CHART 9.
COPPER: LEADING AND COINCIDENT GROWTH RATES, 1979-2001



Shaded areas are business cycle recessions.

The growth rates are expressed as compound annual rates based on the ratio of the current month's index to its average level during the preceding 12 months.

U.S. Geological Survey, July 2001

Explanation

Each month, the U.S. Geological Survey tracks the effects of the business cycle on five U.S. metal industries by calculating and publishing composite indexes of leading and coincident indicators. Wesley Mitchell and Arthur Burns originated the cyclical-indicators approach for the economy as a whole at the National Bureau of Economic Research in the mid-1930's. Over subsequent decades this approach was developed and refined, mostly at the National Bureau, under the leadership of Geoffrey H. Moore.[1]

A business cycle can briefly be described as growth in the level of economic activity followed by a decline succeeded by further growth. These alternating periods of growth and decline do not occur at regular intervals. Composite indexes, however, can help determine when highs and lows in the cycle might occur. A composite index combines cyclical indicators of diverse economic activity into one index, giving decision makers and economists a single measure of how changes in the business cycle are affecting economic activity.

The indicators in the metal industry leading indexes historically give signals several months in advance of major changes in a coincident index, a measure of current metal industry activity. Indicators that make up the leading indexes are, for the most part, measures of anticipations or new commitments to various economic activities that can affect the metal industries in the months ahead.

Composite coincident indexes for the metal industries consist of indicators for production, shipments, and total employee hours worked. As such, the coincident indexes can be regarded as measures of the economic health of the metal industries.

The metal industry coincident indexes reflect industry activity classified by the U.S. Standard Industrial Classification (SIC) and the North American Industry Classification System (NAICS). Of the five metal industries, primary metals (NAICS 331) is the broadest, containing 25 different metal processing industries. Steel, aluminum, and copper are specific industries within the primary metals group.

The SIC was the main vehicle used by the U.S. Government and others in reporting industry economic statistics throughout most of the last century. Starting with the 1997 U.S. Economic Census, the U.S. Government began using the NAICS, which classifies economic data for industries in Canada, Mexico, and the United States. In general, metal industry indexes starting in 1997 begin to reflect the NAICS classification, while indexes for earlier years follow the SIC. Hence, composite indexes from 1997 forward are not entirely consistent with those of earlier years.

The largest change to primary metals because of the NAICS deals with other communication and energy wire manufacturing (NAICS 335929). Under NAICS, this manufacturing has been removed from primary metals and added to electrical equipment, appliance, and component manufacturing. Because monthly shipments and new orders for this wire are not available, the USGS is estimating their values from 1997 onward and adding them to the appropriate metal industry indicators and indexes to maintain consistency.

[1]**Business Cycle Indicators, A monthly report from The Conference Board** (March 1996).

There are other small changes to the primary metals industry because of the switch to the NAICS. Coke oven activity not done by steel mills, for example, is removed and alumina refining, a part of industrial inorganic chemical manufacturing under the SIC, is added. Since the historic trends of the composite indexes are not affected by these small changes, the USGS is not making specific adjustments to the indexes for them for the periods before and after 1997.

The metal industry leading indexes turn before their respective coincident indexes an average of 8 months for primary metals and 7 months for steel and copper. The average lead time for the primary aluminum leading index is 6 to 8 months, and the average lead time for the aluminum mill products leading index is 6 months.

The leading index of metal prices, also published in the *Metal Industry Indicators*, is designed to signal changes in a composite index of prices for primary aluminum, copper, lead, and zinc traded on the London Metal Exchange. On average, this leading index indicates significant changes in price growth about 8 months in advance.

The growth rate used in the *Metal Industry Indicators* is a 6-month smoothed growth rate at a compound annual rate, calculated from a moving average. Moving averages smooth fluctuations in data over time so that trends can be observed. The 6-month smoothed growth rate is based upon the ratio of the latest monthly value to the preceding 12-month moving average.

$$\left[\left(\frac{\text{current value}}{\text{preceding 12-month moving average}}\right)^{\frac{12}{6.5}} - 1.0\right] * 100$$

Because the interval between midpoints of the current month and the preceding 12 months is 6.5 months, the ratio is raised to the 12/6.5 power to derive a compound annual rate.

The growth rates measure the near-term industry trends. They, along with other information about the metal industries and the world economy, are the main tools used to determine the outlook of the industries. A 6-month smoothed growth rate above +1.0% usually means increasing growth; a rate below -1.0% usually means declining growth.

The next summary is scheduled for release on MINES FaxBack at 10:00 a.m. EDT, Friday, August 17. Access MINES FaxBack from a touch-tone telephone attached to a fax machine by dialing 703-648-4999. The address for *Metal Industry Indicators* on the World Wide Web is: http://minerals.usgs.gov/minerals/pubs/mii/

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